

## Message Text

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73

ACTION EUR-25

INFO OCT-01 EA-11 IO-14 ISO-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NEA-14 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

OMB-01 STR-08 L-03 SS-20 NSC-07 OIC-04 SCI-06 INT-08

FEA-02 TAR-02 AGR-20 DRC-01 /219 W

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P R 302042Z MAY 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 2851

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BELGRADE

AMEMBASSY BERN

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USMISSION GENEVA

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UNCLAS SECTION 01 OF 04 OECD PARIS 13256

E.O.11652: N/A

TAGS: EGEN, OECD

SUBJECT: OECD MINISTERIAL COUNCIL MAY 29-30: EBERLE'S  
STATEMENT ON INTERNATIONAL TRADE, INVESTMENT  
AND MONETARY QUESTIONS

1. FOLLOWING IS TEXT OF STATEMENT MADE BY AMB. W.D.  
EBERLE TO OECD MINISTERIAL COUNCIL MAY 29 ON INTERNA-  
TIONAL TRADE, INVESTMENT AND MONETARY QUESTIONS:

BEGIN TEXT

THE DRAMATIC CHANGES IN THE WORLD ECONOMY SINCE THE  
LAST OECD MINISTERIAL MEETING HAVE CONFRONTED US WITH A  
SHARPLY CHANGED POLICY FRAMEWORK AS WELL. THE QUAD-  
RUPLING OF OIL PRICES, WITH ITS MANY RAMIFICATIONS ON  
NATIONAL ECONOMIES, HAS BEEN AND REMAINS OUR PREDOMINANT  
CONCERN. BUT WE FACE ISSUES OTHER THAN HIGHER OIL PRICES  
ALONE, ISSUES SUCH AS SUPPLY SHORTAGES, INADEQUATE DIS-  
TRIBUTION SYSTEMS, AND OTHER ADJUSTMENT PROBLEMS. AND  
UNDERLYING ALL THESE ISSUES IS A RAPID AND ALARMING IN-  
FLATIONARY TREND IN ALL INDUSTRIALIZED COUNTRIES WHICH  
WAS AGGRAVATED BY THE DRAMATIC OIL PRICE INCREASES AND  
INDEED BY THE WHOLE BROADLY BASED COMMODITY PRICE BOOM.

AFTER MONTHS OF REVIEWING AND ANALYZING THESE  
DEVELOPMENTS IN THE OECD AND IN OTHER FORUMS, THE OECD  
MEMBERS REPRESENTED HERE ARE, I BELIEVE, IN A POSITION  
TO OUTLINE THE POLICIES WHICH WE HOPE CAN BEGIN TO  
ALLEVIATE THESE PROBLEMS. THE SECRETARY-GENERAL'S NOTE  
ON AGENDA ITEM I -- COOPERATION ON ISSUES OF GENERAL  
ECONOMIC POLICY -- PROVIDES AN EXCELLENT FOCUS FOR DIS-  
CUSSING THESE POLICIES. THE UNITED STATES WILL MAKE A  
TWO-PART INTERVENTION. I WILL COMMENT ON THE INTERNA-  
TIONAL ASPECTS OF THE CURRENT ECONOMIC SITUATION. DR.  
STEIN WILL THEN ADDRESS THE DOMESTIC POLICY IMPLICATIONS,  
ESPECIALLY THE CURRENT HIGH RATE OF INFLATION IN MEMBER  
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COUNTRIES.

IN THE INTERNATIONAL ECONOMIC FIELD, WE ARE, AS YOU  
KNOW, CONFRONTED WITH A MAJOR UNPRECEDENTED SHIFT IN THE  
CURRENT ACCOUNTS OF MOST MEMBER COUNTRIES. THE TRADI-  
TIONAL STRUCTURE OF INTERNATIONAL PAYMENTS HAS CHANGED  
DRAMATICALLY SINCE LAST SUMMER. WHEREAS IN PAST YEARS  
THE OECD COUNTRIES AS A WHOLE HAD A CURRENT ACCOUNT SUR-

PLUS OF \$10 BILLION OR MORE, THE SECRETARIAT ESTIMATES THAT THIS YEAR THEIR COMBINED CURRENT ACCOUNT COULD BE IN DEFICIT BY AS MUCH AS \$40 BILLION.

WHETHER OR NOT THE DEFICIT REACHES THAT EXTRAORDINARILY HIGH FIGURE -- WE THINK THE FIGURE IS ON THE HIGH SIDE -- THERE HAS CLEARLY BEEN A CHANGE IN THE PAYMENTS STRUCTURE WHICH WILL CHALLENGE OUR INGENUITY AND TEST OUR SENSE OF RESPONSIBILITY. WE FACE, IT SEEMS TO ME, THREE RELATED PROBLEMS OF INTERNATIONAL ADJUSTMENT.

THE FIRST IS HOW TO PREVENT THE OECD COUNTRIES FROM RESORTING TO RESTRICTIVE CURRENT ACCOUNT ACTIONS OR ARTIFICIAL STIMULATION OF EXPORTS, SINCE SUCH ACTIONS COULD LEAD TO RETALIATORY ACTION BY OTHERS. MOREOVER, A DEFICIT ON CURRENT ACCOUNT DOES NOT JUSTIFY ADJUSTMENT ACTION WHEN THE OVERALL PAYMENTS POSITION IS SATISFACTORY.

THE SECOND PROBLEM IS THE AVOIDANCE OF PERSISTENT OVERALL PAYMENTS IMBALANCES IN INDIVIDUAL COUNTRIES. IF

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ACTION EUR-25

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OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

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FEA-02 TAR-02 AGR-20 DRC-01 /219 W

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P R 302042Z MAY 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 2852

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BELGRADE  
AMEMBASSY BERN  
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COUNTRIES FIND THEIR RESERVES RISING OR FALLING PER-  
SISTENTLY, THEY HAVE AN OBLIGATION TO TAKE CORRECTIVE  
ACTION, CHOOSING MEASURES APPROPRIATE TO THE SITUATION.  
TRADE MEASURES WOULD ALSO BE PARTICULARLY DANGEROUS IN  
THESE CIRCUMSTANCES.

THE THIRD PROBLEM IS HOW TO ENSURE AN ADEQUATE TRANS-  
FER OF RESOURCES TO THOSE DEVELOPING COUNTRIES WHOSE NEED  
HAS BEEN MOST SERIOUSLY AGGRAVATED BY THE HIGH PRICE OF  
OIL.

FINANCIAL REFLows FROM THE OIL PRODUCERS WILL, IN  
THE AGGREGATE, BE LARGE ENOUGH TO OFFSET THE DEFICIT OF  
THE CONSUMING COUNTRIES OF THE WORLD. THE FINANCIAL  
PROBLEM IS ONE OF DISTRIBUTION OF THE REFLows. THE OECD  
COUNTRIES AND THE STRONGER DEVELOPING COUNTRIES CAN  
PROBABLY RELY PRIMARILY ON THE PRIVATE MARKETS TO DISTRI-  
BUTE CAPITAL, ALTHOUGH IT IS CLEAR THAT INTERNATIONAL

INSTITUTIONS AND GOVERNMENTS SHOULD STAND READY WITH A SAFETY NET. GOVERNMENTAL POLICIES WILL PLAY AN IMPORTANT ROLE IN DETERMINING HOW WELL THE PRIVATE MARKETS FULFILL THIS TASK AND IT FOLLOWS THAT CLOSE AND CONTINUING CONSULTATIONS AMONG NATIONAL AUTHORITIES WILL BE MORE IMPORTANT THAN EVER. THIS ORGANIZATION, PARTICULARLY THE ECONOMIC POLICY COMMITTEE AND ITS WORKING PARTY 3, HAS A RESPONSIBILITY TO ENSURE THAT THE NECESSARY CONSULTATION OCCURS.

SINCE A NUMBER OF THE OIL EXPORTING NATIONS CANNOT SPEND ALL OF THEIR EARNINGS ON GOODS AND SERVICES IN THE PERIOD AHEAD, IT WILL BE IMPOSSIBLE FOR THE OIL IMPORTING NATIONS AS A WHOLE TO AVOID TRADE DEFICITS. AND IF ONE OECD NATION TAKES MEASURES TO REDUCE ITS TRADE DEFICIT, THE DEFICITS OF THE OTHER OIL-IMPORTING NATIONS WILL BE UNCLASSIFIED

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INCREASED. THE INEVITABLE EFFECT WILL BE TO INCREASE THE PRESSURE ON OTHER NATIONS TO ACT IN SIMILAR FASHION. A SUCCESSIVE WAVE OF MEASURES AND COUNTERMEASURES WOULD HAVE THE MOST SERIOUS CONSEQUENCES FOR OUR ECONOMIES AND FOR THE WHOLE FABRIC OF ECONOMIC AND POLITICAL COOPERATION WHICH WE HAVE BEEN PAINSTAKINGLY CONSTRUCTING FOR ALMOST THREE DECADES.

AS PART OF AN INTERNATIONAL EFFORT TO MITIGATE THIS DANGER, THE EXECUTIVE COMMITTEE IN SPECIAL SESSION RECOMMENDED THE ADOPTION OF THE TRADE AND CURRENT ACCOUNT DECLARATION NOW BEFORE US. MY GOVERNMENT WHOLEHEARTEDLY SUPPORTS THIS RECOMMENDATION AS THE PRODUCT OF CONSTRUCTIVE STATESMANSHIP. WE AGREE FULLY WITH THE TEXT OF THE DRAFT DECLARATION AND WITH THE INTERPRETATION OF THE TEXT SET FORTH IN THE SECRETARY-GENERAL'S NOTES. I WOULD LIKE TO EXPRESS MY PARTICULAR APPRECIATION OF THE EFFORTS OF SECRETARY-GENERAL VAN LENNEP AND CHAIRMAN JOLLES OF THE EXECUTIVE COMMITTEE IN SPECIAL SESSION IN HELPING US REACH AGREEMENT ON THIS MOST IMPORTANT DOCUMENT. THE UNITED STATES ATTACHES TO IT A HIGH POLITICAL IMPORTANCE. WE REGARD THIS DECLARATION AS COMPLEMENTARY TO THE WORK GOING FORWARD IN THE COMMITTEE OF TWENTY WHICH IS CONSIDERING PROPOSALS TO SUPPLEMENT EXISTING INTERNATIONAL PROCEDURES IN ORDER TO DETER THE CHOICE OF TRADE MEASURES FOR BALANCE OF PAYMENTS ADJUSTMENT. (AD LIB COMMENT ON RELATION TO GATT MTN AND THE TRADE BILL.)

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ACTION EUR-25

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COME-00 EB-11 FRB-02 INR-10 NEA-14 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

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FEA-02 TAR-02 AGR-20 DRC-01 /219 W

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P R 302042Z MAY 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 2853

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

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IN APPROVING THIS DECLARATION, THE UNITED STATES AND OTHER NATIONS HAVE NECESSARILY TAKEN INTO ACCOUNT APPLICABLE CONSTITUTIONAL LIMITATIONS RELATING TO EXECUTIVE AND LEGISLATIVE AUTHORITY AS WELL AS SUCH STATUTORY PROVISIONS AS THOSE DEALING WITH ESCAPE CLAUSE ACTIONS, COUNTERVAILING DUTIES, AND ANTI-DUMPING MEASURES. THIS CONSTITUTIONAL CONSIDERATION IS REFLECTED IN THE TEXT AND IN THE INTERPRETIVE NOTES TO THE DECLARATION.

MY GOVERNMENT ENDORSES THE INCLUSION OF EXPORT RESTRAINTS IN THE TRADE MEASURES TO BE COVERED BY THE CURRENT ACCOUNT STANDSTILL. IT IS ESSENTIAL, IN OUR VIEW, TO DEVELOP A MORE EFFECTIVE INTERNATIONAL DISCIPLINE AND CONSULTATION PROCEDURES TO DEAL WITH THE LONGER-TERM PROBLEM OF EXPORT RESTRICTIONS FOR ECONOMIC PURPOSES. WE HOPE THAT THE OECD, AND PARTICULARLY ITS TRADE COMMITTEE, WILL GIVE HIGH PRIORITY TO WORK IN THIS AREA.

THE AVOIDANCE OF DESTRUCTIVE COMPETITION IN THE FIELD OF OFFICIAL EXPORT CREDITS, WHICH WE FULLY ENDORSE, SHOULD NOT OF COURSE BE CONSTRUED PRECLUDING THE NORMAL PROCESS OF MEETING THE TERMS OF CREDIT OFFERED BY OTHER GOVERNMENT LENDING INSTITUTIONS.

THE THIRD STRUCTURAL PROBLEM THE WORLD FACES -- ASSURING AN ADEQUATE FLOW OF RESOURCES TO THE DEVELOPING COUNTRIES HARDEST HIT BY THE HIGHER OIL PRICES -- ALSO CALLS FOR CONCERTED ACTION. JUST AS THE SYSTEM CANNOT TOLERATE UNILATERAL CURRENT ACCOUNT MEASURES BY INDIVIDUAL COUNTRIES, NEITHER CAN IT OPERATE FOR LONG IF THE MORE FORTUNATE COUNTRIES ARE NOT ACTIVELY CONCERNED WITH THE PROBLEMS OF THOSE COUNTRIES WHICH ARE FACED WITH THE

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MOST DIFFICULT ECONOMIC ADJUSTMENTS.

MOST OF THE COUNTRIES REPRESENTED HERE HAVE ALREADY

ACKNOWLEDGED THIS REALITY. WE HAVE INDICATED OUR INTENTION TO MAINTAIN, AND IF POSSIBLE INCREASE, OUR ASSISTANCE LEVELS. WE HAVE INDICATED, AS WELL, OUR WILLINGNESS TO CONSULT WITH OTHERS AS TO HOW THE EFFECTS OF INCREASES IN OIL AND OTHER COMMODITY PRICES ON THE POOREST DEVELOPING COUNTRIES COULD BE MITIGATED.

THE DAC CHAIRMAN, THROUGH HIS PROPOSAL, HAS LED US TO FOCUS OUR ATTENTION, IN THE OECD, ON THE SAME ISSUES. HE HAS ASKED US TO LOOK NOT ONLY AT THE SHORT-TERM NEEDS OF THE POOREST LDC'S BUT ALSO AT THE LONG-RANGE IMPLICATIONS OF COMMODITY PRICE INCREASES ON OVERALL DEVELOPMENT ASSISTANCE EFFORTS. MY GOVERNMENT -- AND I BELIEVE MOST OTHER DAC MEMBERS -- HAS BEEN RE-EXAMINING OUR CAPACITY TO PROVIDE EMERGENCY AID WHERE IT IS MOST NEEDED, IN SUCH AREAS AS FOOD, FERTILIZER AND TECHNICAL ASSISTANCE.

WE HAVE ALSO WELCOMED INDICATIONS THAT THE OIL-PRODUCING COUNTRIES WILL PARTICIPATE IN AN EXPANDED INTERNATIONAL ASSISTANCE EFFORT ON CONCESSIONAL TERMS.

OF COURSE, PRICE REDUCTIONS AND REMOVAL OF RESTRAINTS ON PETROLEUM PRODUCTION WOULD MAKE THE MOST POSITIVE CONTRIBUTIONS.

AT THIS MEETING, I BELIEVE WE SHOULD STRESS THIS ORGANIZATION'S STRONG INTEREST IN DEVELOPMENT ASSISTANCE AND ITS PARTICULAR CONCERN FOR THE HARDEST HIT DEVELOPING COUNTRIES. WE IN THE OECD SHOULD ALSO, IN MY VIEW, EMPHASIZE OUR DESIRE TO HAVE THE DAC CONTINUE TO EXAMINE --AS RAPIDLY AS POSSIBLE--THE IMPLICATIONS OF RECENT PRICE RISES FOR DEVELOPING NATIONS.

IN ADDITION TO THESE IMMEDIATE PROBLEMS, WE BELIEVE THAT THE OECD MEMBERS MUST TAKE STEPS TO ASSURE BOTH THAT ADEQUATE SUPPLIES OF FOOD AND RAW MATERIALS ARE AVAILABLE TO MEET LONGER-TERM NEEDS AND THAT COMMODITY PRICES DO NOT ADD TO THE INFLATIONARY PRESSURES. WE NEED

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A STRONG COORDINATED EFFORT TO IMPROVE OUR KNOWLEDGE OF PRICE AND SUPPLY TRENDS.

A GOOD DEAL OF UNCERTAINTY REMAINS CONCERNING THE WORLD FOOD SITUATION, BOTH IN THE SHORT-TERM AND OVER THE NEXT DECADE. THE UNITED STATES DELEGATION IS PLEASED TO NOTE THAT THE SECRETARIAT IS ALREADY AT WORK IN PREPARING THE STUDY OF LONG-RANGE TRENDS WHICH THE MEMBERS HAVE ASKED IT TO COMPLETE.



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FEA-02 TAR-02 AGR-20 DRC-01 /219 W

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P R 302042Z MAY 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 2854

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

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ESTIMATES FOR OUR OWN CROP OUTLOOK ARE GOOD. WHILE WEATHER WILL REMAIN A CRITICAL FACTOR UNTIL THE END OF THE PRESENT GROWING CYCLE, WE ANTICIPATE A RECORD U.S. GRAIN CROP. WITH A GREATLY INCREASED CARRYOVER AT THE END OF THIS SUMMER, PROSPECTIVE SOYBEAN SUPPLIES WILL ALSO BE LARGER THAN DURING THE CURRENT MARKETING YEAR. THE IDLED LAND WHICH THE U.S. RETURNED TO PRODUCTION THIS YEAR AND LAST HAS PLAYED A MAJOR ROLE IN OBTAINING THIS FAVORABLE RESULT. WE EXPECT THAT MUCH OF THE U.S. PRODUCTION INCREASE WILL BE AVAILABLE FOR EXPORT AND WILL HELP TO EASE WORLD FOOD SHORTAGES SIGNIFICANTLY.

IN RECENT WEEKS, IMPROVED OUTLOOK FOR CROPS IN THE NORTHERN HEMISPHERE COUNTRIES AND GOOD HARVESTS IN THE SOUTHERN HEMISPHERE HAVE ACTED AS STRONG MODERATING INFLUENCES ON AGRICULTURAL COMMODITY PRICES. WHEAT PRICES, FOR EXAMPLE, HAVE DROPPED BY 40 PERCENT SINCE THEIR RECORD HIGHS EARLIER THIS YEAR. THERE IS NOW GOOD REASON TO EXPECT THAT PRICES OF MAJOR AGRICULTURAL COMMODITIES, BOTH WHOLESALE AND RETAIL, WILL MODERATE OR LEVEL OFF, AND THAT THEIR EFFECT ON INFLATION RATES WILL THEREBY DIMINISH CONSIDERABLY.

AS THE INTERNATIONAL ECONOMY ADJUSTS TO THE MAJOR CHANGES BROUGHT ABOUT BY HIGHER OIL PRICES, THE FREE FLOW OF CAPITAL AND INVESTMENT BECOMES MORE IMPORTANT THAN EVER. THE UNITED STATES PLACES A HIGH PRIORITY ON THE WORK IN THE OECD IN THE INTERNATIONAL INVESTMENT AREA. THIS WORK WAS UNDERTAKEN AS AN ESSENTIAL PART OF THE EFFORTS UNDERWAY TO ADAPT THE INTERNATIONAL ECONOMIC SYSTEM TO NEW NEEDS AND OPPORTUNITIES. WE REGARD THIS WORK ON INTERNATIONAL INVESTMENT AS A NECESSARY COMPONENT TO REFORMING THE MULTILATERAL TRADING SYSTEM AND THE

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INTERNATIONAL MONETARY ORDER AND TO PROVIDING ASSISTANCE TO DEVELOPING COUNTRIES. WE BELIEVE THAT INTERNATIONAL UNDERSTANDINGS ON PRINCIPLES, RULES, AND PROCEDURES FOR CONSULTATIONS ON INTERNATIONAL INVESTMENT ISSUES WOULD MAKE AN IMPORTANT CONTRIBUTION TOWARD STABILIZING THE INTERNATIONAL ECONOMY IN THE PRESENT PERIOD OF UNCERTAINTY AND MINIMIZE HARMFUL DISTORTIONS IN THE FLOW OF RESOURCE ALLOCATION AND TRADE.

THE UNITED STATES DELEGATION IS PLEASED THAT THE SECRETARY-GENERAL AND THE GROUP OF INTERNATIONAL INVESTMENT EXPERTS HAVE MADE SO MUCH PROGRESS ON THE WORK PROGRAM ON INVESTMENT ISSUES WHICH WAS OUTLINED BY THE EXECUTIVE COMMITTEE IN SPECIAL SESSION AT ITS NOVEMBER MEETING. WE ARE GLAD TO SEE THAT PROGRESS IS ALSO BEING MADE BY THE VARIOUS SPECIALIZED OECD COMMITTEES ON THE DIFFICULT AND COMPLEX ISSUES CONNECTED WITH MULTINATIONAL ENTERPRISES FOLLOWING THE WORK PROGRAM APPROVED BY THE COUNCIL.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE, INVESTMENTS, CURRENCY STABILITY  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 MAY 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974OECDP13256  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740136-0880  
**From:** OECD PARIS  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1974/newtext/t1974057/aaaaafwm.tel  
**Line Count:** 568  
**Locator:** TEXT ON-LINE, ON MICROFILM  
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**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 11  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** shawdg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 NOV 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05 NOV 2002 by MorefiRH>; APPROVED <09 JAN 2003 by shawdg>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OECD MINISTERIAL COUNCIL MAY 29-30: EBERLE'S STATEMENT ON INTERNATIONAL TRADE, INVESTMENT  
**TAGS:** EGEN, XX, OECD, (EBERLE, W D)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005